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RUEATRS/DEPT OF TREASURY WASHINGTON DC  
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RUEHKO/AMEMBASSY TOKYO 0811  
RUEHBJ/AMEMBASSY BEIJING 4320  
RUEHBY/AMEMBASSY CANBERRA 1190  
RUEHUL/AMEMBASSY SEOUL 4200  
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DEPT FOR A/S HILL, EAP/MTS AND EB/IFD/ODF  
DEPARTMENT FOR OES/IET and OES/ETC  
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SUBJECT: U/S DISCUSSES INDONESIA'S ROLE IN COP 13, CLEAN ENERGY,  
BIOFUELS DEVELOPMENT

¶1. (SBU) Summary. During his visit to Indonesia September 10-12, U/S Jeffery held a roundtable lunch on September 10 with GOI officials, donor representatives and private sector representatives. The head of Indonesia's COP 13 steering committee said that the GOI would await the outcomes of the U.N. and Major Economies meetings later this month before finalizing a non-paper on COP 13 agenda items, and expressed interest in advanced clean energy technologies.

U/S Jeffery, Ambassador Hume, and other roundtable participants agreed on the importance of renewable energy and affordable clean technologies in addressing climate change. Participants acknowledged the challenge of balancing palm oil expansion and biofuels development plans with forest conservation and other environmental concerns. End Summary.

Indonesian Expectations for COP 13  
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¶2. (SBU) U/S for Economic, Energy, and Agricultural Affairs Reuben Jeffery discussed energy security, climate change, and deforestation, with a group of GOI officials, donor representatives and members of the private sector on September 10. Agus Purnomo, Executive Director, Indonesian National Steering Committee for the Conference of Parties 13 (COP 13), described the four main agenda items for the COP 13: a post-2012 mitigation strategy, an adaptation funding mechanism, reducing emissions from deforestation and degradation, and technology transfer. He noted that the Ministry of Environment (MOE) would circulate a non-paper on these items for discussion at the pre-COP 13 ministerial in Bogor, October 24-25. The MOE will wait until early October to finalize the non-paper, because the upcoming U.N. meetings and Major Economies Meeting (MEM) will be influential in shaping the debate. Purnomo stated that, as host to COP 13, Indonesia intends to adopt a publicly neutral approach to all proposals, whether on mandatory versus "aspirational" emissions reduction goals or new carbon trading schemes. Indonesia wants to see a consensus forged at Bali on a post-2012 agreement that includes ideas from both developed and developing countries.

¶3. (SBU) Responding to a question from Purnomo about how to negotiate practically on energy intensity levels, U/S Jeffery

emphasized that one of the foci of the MEM would be the issue of measurement and standards. He agreed that Bali's outcome would be a package of solutions that included both intermediate steps and long-term goals. Purnomo stressed the need for new mechanisms besides the Clean Development Mechanism for a post-2012 world, noting that existing alternative market-based mechanisms are incipient and far too small. U/S Jeffery affirmed the importance of renewables in the climate debate, and emphasized that all these issues would be discussed at the U.N. and MEM.

#### Indonesia Prefers Non-Nuclear Energy Alternatives

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14. (SBU) Luncheon participants discussed Indonesia's policy on renewable energy, including geothermal, hydropower, nuclear energy and advanced coal power technology. Purnomo noted that the government is pursuing a nuclear power facility in central Java. He added, however, that the government also places a high priority on developing its vast potential for renewable energy, such as geothermal. He expressed the GOI's interest in advanced coal technology - "clean coal" and carbon capture and sequestration -- but raised concerns about the high cost of the technology, asking about affordable financing mechanisms.

15. (SBU) The head of the National Biofuel Development Team, Alhilal Hamdi, noted that GOI energy pricing policy, which subsidizes fossil fuels, has been an impediment to development of renewables. He asserted that the GOI is in the process of improving the incentive structure and refining mandatory biofuel use requirements to encourage growth in this area. In response to the question whether palm oil profitability depended upon the clearing of forested land, Hamdi emphasized that profitability was high without any timber sales. Thus, there is ample opportunity for the industry to expand in already degraded land and be highly profitable, addressing

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concerns about the environmental impact of oil-palm plantation expansion into forest land. He highlighted the importance of biofuel's advantages in job creation and poverty reduction. A World Bank representative and a biofuel private sector executive in attendance also acknowledged the tension between oil-palm plantation expansion and forest conservation, and pointed to ongoing efforts to develop a biofuels certification that addresses these concerns. Hamdi also highlighted the opportunities to develop jatropha-based biofuel in arid soils, explaining that Indonesia needs assistance in research and development to scale up and maximize yields, similar to past efforts devoted to oil palm.

16. (U) U/S Jeffery cleared this cable.

HUME